Topic 4 Accumulation and Sabotage

Capital and Power

- Squaring the circle: from production to distribution?
- · Squaring the circle: quantifying qualities?
- Exchange equivalence: utility, labour, or the nomos?
- The quantitative order
- · Mathematics: authoritarian and democratic
- The capitalist unit of order: price
- The pattern of order: capitalization
- · Capitalization: earnings, risk and the normal rate of return
- The universality of capitalization
- · What gets capitalized: utility, labour, or power?
- Why power?
- · Privatus, privare, private: to restrict, to deprive, to rob
- Private property: the power to exclude

Industry and Business

- · Thorstein Veblen
- Power vs. creativity, business vs. industry.
- · Industry and creativity: workmanship, know-how, cooperation, integration
- · Industry as a hologram
- · Can "factors of production" exist?
- Technology: a "measure of our ignorance"?
- · Business and distribution: ownership, exchange, power
- The two languages: what is "real"?
- Top down: business control of industry
- · Absentee ownership
- The natural right of investment
- · Strategic sabotage
- Can one profit from knowledge and production?
- Intellect or intellectual property rights?
- Can one profit from growth?
- Institutions of power: the corporation and the state

Capitalization

$$capitalisation \equiv \frac{excpected\ earnings}{risk \times normal\ rate\ of\ return}$$

$$$1bn \equiv \frac{$60mn}{1.2 \times .05}$$

The origin of private property

"The first man who, having enclosed off a piece of land, got the idea of saying 'This is mine' and found people simple enough to believe him was the true founder of civil society."

Rousseau, Jean-Jacques. 1754. A Discourse Upon the Origin and the Foundation of the Inequality Among Mankind.

The production function (a simple illustration)

Q = F (Labour, Land, Capital)

$$Q = 5 * Labour + 12 * Land + 0.5 * Capital$$

= $5 * 13 + 12 * 7 + 0.5 * 50$
= $65 + 84 + 25$
= 174

QUESTION: But what if output Q = 201 rather than 174? Where do the "extra" 27 units of output come from? Technology, of course!

The production function with a "measure of our ignorance" (a simple illustration)

Q = F(Labour, Land, Capital, "Technology")

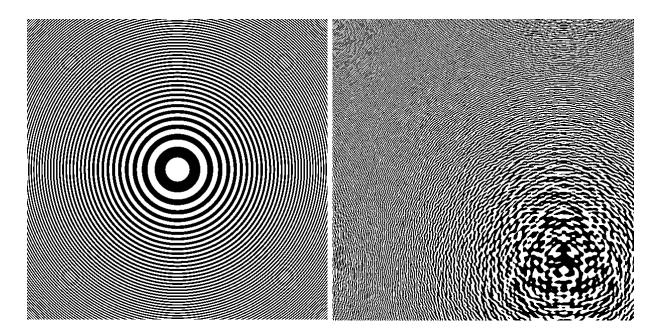
$$Q = 5 * Labour + 12 * Land + 0.5 * Capital + "Technology"$$

= $5 * 13 + 12 * 7 + 0.5 * 50 + 27$
= $65 + 84 + 25 + 27$
= 201

A hologram



Photograph by Andrew Davidhazy (reproduced with permission http://www.rit.edu/~andpph/)

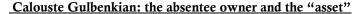


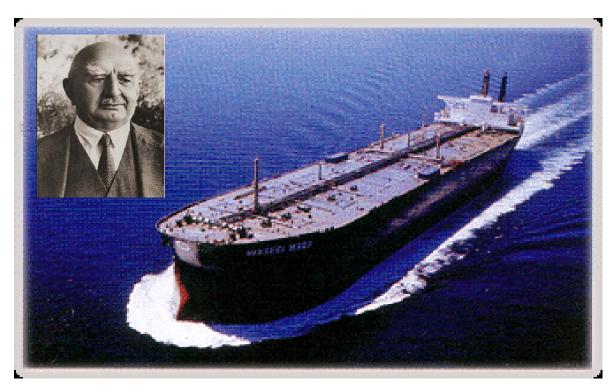
SOURCE: http://www.medcosm.com/prog CGHmaker.htm

The "real" thing

"Under the price system, men have come to the conviction that *money-values are more* real and substantial than any of the material facts in this transitory world. So much so that the final purpose of any businesslike undertaking is always a sale, by which the seller comes in for the price of his goods; and when a person has sold his goods, and so becomes in effect a creditor by that much, he is said to have 'realized' his wealth, or to have 'realized' his holdings. *In the business world the price of things is a more substantial fact than the things themselves.*"

Veblen, Thorstein. 1923. *Absentee Ownership and Business Enterprise in Recent Times. The Case of America*, pp. 88-89 (emphases added)





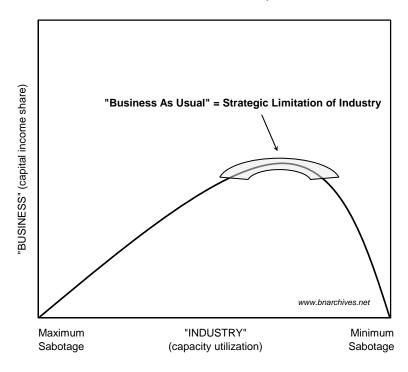
SOURCE: http://www.enecho.meti.go.jp/oil/tanker.gif;
http://www.apol.net/dightonrock/giftgulbenkian.htm (the ship is unconnected to Gulbenkian).

The natural right of investment

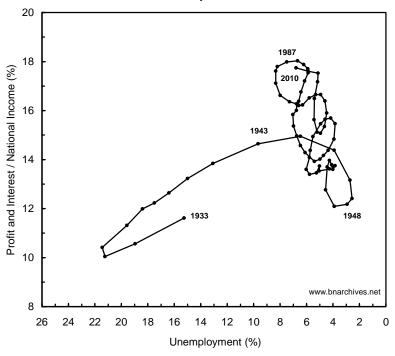
- "... any person who has the legal right to withhold any part of the necessary industrial apparatus or materials from current use will be in a position to impose terms and exact obedience, on pain of rendering the community's joint stock of technology inoperative for that extent.
- "Ownership of industrial equipment and natural resources confers such a right legally to enforce unemployment, and so to make the community's workmanship useless to that extent. *This is the Natural Right of Investment*. Plainly, ownership would be nothing better than an idle gesture without this legal right of sabotage.
- "Without the power of discretionary idleness, without the right to keep the work out of the hands of the workmen and the product out of the market, *investment and business enterprise would cease*. This is the larger meaning of the Security of Property"

Veblen, Thorstein. 1923. Absentee Ownership and Business Enterprise in Recent Times. The Case of America, pp. 66-7

Business and Industry



Business and Industry in the United States



NOTE: Series are shown as 5-year moving averages. SOURCE: Updated from Nitzan, Jonathan, and Shimshon Bichler. 2000. Capital Accumulation: Breaking the Dualism of "Economics" and "Politics". In Global Political Economy: Contemporary Theories, edited by R. Palan. New York and London: Routledge, pp. 67-88. Original data from U.S. Department of Commerce through Global Insight (series codes: INTNETAMISC for interest; ZBECON for profit; YN for national income; RUC for unemployment).